

# 2001 Credit for Alternative Fuel Delivery Systems

## Arizona Form 326

**NOTE:** *There may be a compliance audit when the department processes this credit form. This will cause a longer than normal processing time for your return.*

### Phone Numbers

If you have questions, please call one of the following numbers:

Phoenix	(602) 255-3381
From area codes 520 & 928 toll-free	(800) 352-4090
Form orders	(602) 542-4260
Forms by Fax	(602) 542-3756
Recorded Tax Information	
Phoenix	(602) 542-1991
From area codes 520 & 928 toll-free	(800) 845-8192
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 & 928 toll-free	(800) 397-0256

You may also visit our web site at: [www.revenue.state.az.us](http://www.revenue.state.az.us)

### Credit Provisions

The alternative fuel delivery system credit provisions are as follows:

- The credit for constructing an alternative fuel delivery system that is accessible to the public and/or that is dispensing a renewable fuel is 100 percent of the cost incurred, up to a maximum of \$400,000. This credit applies to each variation of alternative fuel type dispensed through the alternative fuel delivery system.
- The credit for constructing an alternative fuel delivery system that is not accessible to the public and that does not dispense a renewable fuel is 50 percent of the cost incurred, up to a maximum of \$200,000. This credit applies to each variation of alternative fuel type dispensed through the alternative fuel delivery system.
- If you received a grant from the Arizona Department of Commerce, you cannot take a credit for the amount of that grant.
- If you claim an alternative fuel delivery system credit for a system located at a fueling station, you must include the price of the alternative fuel on the standardized sign (designed by the Arizona Department of Commerce Energy Office) that contains the price of the other fuels sold at the station.

### Eligibility Requirements

To be eligible for a tax credit, all of the following must apply:

- You must have entered into the contract to construct the alternative fuel delivery system before October 20, 2000. Contracts entered into after October 19, 2000 are not eligible for a tax credit.
- Construction of the alternative fuel delivery system must have begun before November 9, 2000.
- You must have filed Arizona Form *Notice of Intent to Claim Alternative Fuel Tax Credit or Opt Out*, to the Office of Alternative Fuel Recovery/Department of Revenue by

January 2, 2001. If you filed this form by mail, your form must have been postmarked by January 2, 2001.

### Attachments

When you claim a credit on Form 326, you should attach appropriate documentation to your claim. Your documentation should show the type of fuel being dispensed, when you entered into the purchase order/agreement, when construction began, and the amount of construction costs incurred.

The department may also ask for additional documentation upon audit.

### Use of This Form

Use this form to do the following.

- Figure your credit for constructing an alternative fuel delivery system that is accessible to the public and/or that is dispensing a renewable fuel.
- Figure your credit for constructing an alternative fuel delivery system that is not accessible to the public and that does not dispense a renewable fuel.
- Figure how much of a credit carryover you have available from a prior taxable year.
- If you elected to have a 2000 taxable year refund from Form 326 refunded in 2 or 3 annual installments, use Form 326 to figure how much of that 2000 taxable year refund is allocable to 2001. In this case, complete Form 326, Part IX.

**NOTE:** *If you are eligible for a credit from more than one source (e.g., direct investment, flow-through from a partnership or S corporation), complete a separate Form 326 for each source.*

### General Instructions

#### What is an Alternative Fuel Delivery System?

An alternative fuel delivery system is any facility that provides for the fueling of an alternative fuel vehicle.

#### What is an Alternative Fuel Vehicle?

An alternative fuel vehicle is a vehicle that is primarily propelled by an alternative fuel. The vehicle must be self-propelled and registered and titled in Arizona for operation on highways. Alternative fuel vehicles include neighborhood electric vehicles (NEV), bi-fuel vehicles and dedicated vehicles. However, vehicles like golf carts (unless the golf cart qualifies as a NEV), motorcycles, motor driven cycles, mopeds, electric bicycles, motorized wheelchairs, vehicles designed primarily for agricultural purposes, or vehicles not designed primarily for operation on highways (like forklifts) are not alternative fuel vehicles.

#### What is Alternative Fuel?

Alternative fuel is:

- Electricity
- Natural gas
- Solar Energy
- Hydrogen

- Liquefied petroleum gas
- A blend of hydrogen with liquefied petroleum or natural gas that complies with either of the following:
  1. Is used in an engine that is certified to meet at a minimum the United States Environmental Protection Agency low emission vehicle standard under 40 Code of Federal Regulations Section 88.104-94 or 88.105-94.
  2. Is used in an engine that is certified by the engine modifier to meet the addendum to memorandum 1-A of the United States Environmental Protection Agency.
- Alcohol fuels that contain not less than 85 percent alcohol by volume. Alcohol fuels are an alternative fuel only for vehicles that used alcohol fuels before August 21, 1998.
- A combination of at least 70 percent alternative fuel and not more than 30 percent petroleum based fuel and that operates in an engine that meets the United States Environmental Protection Agency low emission vehicle standard under 40 Code of Federal Regulations Section 88.104-94, or 88.105-94 and is certified by the engine manufacturer to consume at least 70 percent alternative fuel during normal vehicle operations.

## What is a Renewable Fuel?

For the purpose of this credit, electricity or solar energy is a renewable fuel.

## What Construction Costs are Eligible for the Credit?

For the purpose of this credit, construction costs are those costs associated with the construction of an alternative fuel delivery system.

## Line-by-Line Instructions

Enter the names and taxpayer identification numbers (TIN) as shown on Form 140, 140PY, 140NR, 140X, 120, 120A, 120S, 120X, or 165. Fiscal year basis taxpayers must indicate the period covered by the taxable year. Attach the completed form to the tax return.

All returns, statements, and other documents filed with the Department of Revenue require a taxpayer identification number (TIN). The TIN is either a correct social security number or, for a business, the federal identification number. Paid tax preparers must also include their TIN on forms where requested. Taxpayers and paid preparers who fail to include the preparer TIN may be subject to a penalty. Please check the return to be sure that all required identification numbers are accurate and written clearly. Missing, incorrect, or unclear identification numbers may cause delays in processing the returns.

## Part I - Credit Intent Notice

### Line 1 -

Answer the question on this line. Check the box for the answer that applies to you.

To be eligible for a credit for an alternative fuel delivery system, you must have filed State of Arizona Form *Notice of*

*Intent to Claim Alternative Fuel Tax Credit or Opt Out Payment* to the Office of Alternative Fuel Recovery/Department of Revenue. You must have filed this form by January 2, 2001. If you mailed this form, your form must have been post marked by January 2, 2001. You may also have used a private delivery service designated by the IRS to meet the "timely mailing as timely filed rule".

If you were unable to file the intent notice by the January 2, 2001 deadline, but feel that you are entitled to the credit, you may file Form 326 with an explanation of why you did not file the intent form by the deadline. If the department disallows your credit, you will be billed for any tax, penalty and interest that results from that disallowance. To avoid penalty and interest charges, you can file your original return without claiming the credit, then file an amended return to claim the credit.

## Credit Computation

To figure your credit, first, determine what kind of alternative fuel delivery system(s) you constructed, then complete the lines on this form for that type of system.

If you have more than four systems for any class of alternative fuel delivery system, complete an additional schedule for that class of system. The additional schedule should show the same information that is shown on the form for the first four systems in that class.

## Part II - Credit for Construction of Alternative Fuel Delivery Systems That are Accessible to the Public and/or Dispense a Renewable Fuel

### Lines 2 through 11 -

Use lines 2 through 11 to figure your credit for constructing an alternative fuel delivery system that is either accessible to the public or dispenses a renewable fuel.

The credit for constructing an alternative fuel delivery system that is accessible to the public or dispenses a renewable fuel is the amount of construction costs incurred during the taxable year for the alternative fuel delivery system. The maximum credit for any such system is \$400,000. If you received a grant from the Arizona Department of Commerce, you cannot take a credit for the amount of that grant.

You may take a separate credit for each variation of alternative fuel dispensed through the alternative fuel delivery system. For the purpose of completing this form, treat each variation of alternative fuel as a separate alternative fuel delivery system.

Complete lines 2 through 11 as instructed on the form.

## Part III - Credit for Construction of Alternative Fuel Delivery Systems that are NOT Accessible to the Public AND That Do NOT Dispense a Renewable Fuel

### Lines 12 through 22 -

Use lines 12 through 22 to figure your credit for constructing an alternative fuel delivery system that is not accessible to the public and that does not dispense a renewable fuel.

The credit for constructing an alternative fuel delivery system that is not accessible to the public and that does not dispense a renewable fuel is 50 percent of the amount of construction costs incurred during the taxable year for the alternative fuel delivery system. The maximum credit for any such system is \$200,000. If you received a grant from the Arizona Department of Commerce, you cannot take a credit for the amount of that grant.

You may take a separate credit for each variation of alternative fuel dispensed through the alternative fuel delivery system. For the purpose of completing this form, treat each variation of alternative fuel as a separate alternative fuel delivery system.

Complete lines 12 through 22 as instructed on the form.

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## **Part IV - Total Current Year's Credit**

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### **Line 23 -**

Add the amounts on Part II, line 11 and Part III, line 22. Enter the total.

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## **Part V - Lessor/Lessee Agreement**

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### **Lines 24 through 32 -**

If you have entered into a lease agreement for the alternative fuel delivery system, the lessor may claim a share of the credit for the system as provided in the lease agreement. The total credit allowed to be taken between the lessor and the lessee cannot be more than the total credit allowed for that system.

Complete lines 24 through 32 as instructed on the form.

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## **Part VI - S Corporation Credit Election and Shareholder's Share of Credit**

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### **Line 33 - S Corporation Credit Election**

All S corporations must complete line 33. The S corporation must make an irrevocable election to either claim the credit or pass the credit through to its shareholders. One of the officers of the S corporation who is also a signatory to the Arizona Form 120S must sign this election.

### **Lines 34 through 36 -**

If the S corporation elects to pass the credit through to its shareholders, it must also complete lines 34 through 36.

An S corporation must complete the Form 326 through line 33. Then, complete lines 34 through 36 separately for each shareholder. Each shareholder may claim only a pro rata share of the credit based on the shareholder's ownership interest in the S corporation. The S corporation must furnish each shareholder with a copy of the completed Form 326.

Each shareholder must complete lines 40 through 51 as applicable.

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## **Part VII - Partner's Share of Credit**

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### **Lines 37 through 39 -**

A partnership must complete the Form 326 through line 32. Then, complete lines 37 through 39 separately for each

partner. Each partner may claim only a pro rata share of the credit based on the partner's ownership interest in the partnership. The partnership must furnish each partner with a copy of the completed Form 326.

Each partner must complete lines 40 through 51 as applicable.

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## **Part VIII - Refund Election for Current Year's Credit - All Taxpayers Claiming the Credit**

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### **Lines 40 through 44 -**

#### **Line 40 -**

If the allowable credit exceeds the income taxes due for the 2001 taxable year, you must make an irrevocable election to do one of the following:

- Have the amount of credit not applied to the 2001 taxable year taxes refunded in a lump sum.
- Have the amount of credit not applied to the 2001 taxable year taxes refunded in two annual installments.
- Have the amount of credit not applied to the 2001 taxable year taxes refunded in three annual installments.

If you elect to have the refund paid out in two or three annual installments, no interest will be paid on those amounts.

Check box 40a if you are electing a lump sum refund.

Check box 40b if you are electing the refund be paid in two annual installments.

Check box 40c if you are electing the refund be paid in three annual installments.

Amounts refunded under this program will be subject to federal and Arizona tax. The department will issue a statement to you and to the IRS indicating the amount refunded to you. The statement issued to the IRS will include the total refund, regardless if choose a lump sum, 2 annual installments or 3 annual installments.

#### **Line 41 -**

Individuals and corporations, including S corporations that elected to take the credit, enter the amount from Part IV, line 23, or if a lessor, from part V, line 29 or if a lessee, from Part V, line 32. S corporation shareholders, enter the amount from Part VI, line 36. Partners of a partnership, enter the amount from Part VII, line 39.

If your 2001 tax is more than your credit shown on line 41, skip lines 42 and 43 and enter the amount on line 41 on line 44.

If you checked box 40a, skip lines 42 and 43 and enter the amount on line 41 on line 44.

If you checked box 40b or 40c, complete lines 42 and 43.

#### **Line 42 -**

Enter the tax from your 2001 income tax return, after subtracting any tax credits (except the credit for alternative fuel delivery systems from Form 326) that you are applying against the 2001 tax.

**Line 43 -**

Subtract line 42 from line 41.

**Line 44 -**

If the amount on line 42 is more than the credit being claimed on Form 326, enter the amount from line 41 here.

If you checked the box on line 40a, enter the amount from line 41 here.

If you checked the box on line 40b, divide the amount on line 43 by 2 and add the result to the amount on line 42 and enter the total on line 44.

If you checked box 44c, divide the amount on line 43 by 3 and add the result to the amount on line 42 and enter the total on line 44.

**NOTE:** Do not complete Form 300 or Form 301 with Form 326 unless you are completing Part X of Form 326.

Individuals also enter this amount on Form 140, page 1, line 37, or Form 140PY, page 1, line 39, or Form 140NR, page 1, line 37, or Form 140X, page 1, line 39.

Corporations also enter this amount on Form 120, page 1, line 25, or Form 120A, page 1, line 17, or Form 120X, page 1, line 25.

S corporations that are taking the credit also enter this amount on Form 120S, page 1, line 21.

**NOTE Individuals Only:** If you are married, and you and your spouse file separate returns, you may each take only one-half of the total credit that would otherwise be allowed on a joint return.

### **Part IX - Refund Allocation For Taxpayers That Elected to Have the 2000 Refund Paid Out in Either 2 or 3 Annual Installments**

Complete lines 45 and 46 only if you elected to claim the amount of alternative fuel delivery system credit refund from your 2000 return in either 2 or 3 annual installments.

**Line 45 -**

In column (b), check whether you elected either 2 or 3 annual installments. In column (c) enter the credit originally computed for the 2000 taxable year. In column (d), enter the amount of the 2000 taxable year credit that was applied to your 2000 tax [column (c) minus column (d)]. In column (e), enter the amount of the 2000 taxable year credit that was originally available for refund. In column (f), enter the amount of column (e) that was refunded on your 2000 return. Subtract the amount in column (f) from the amount in column (e) and enter the difference in column (g).

**Line 46 -**

If you elected to have the credit from the 2000 taxable year refunded in 2 annual installments, enter the amount on line 45, column (g).

If you elected to have the credit from the 2000 taxable year refunded in 3 annual installments, divide the amount on line 45, column (g), by 2 and enter the result here.

Individuals also enter this amount on Form 140, page 1, line 37, or Form 140PY, page 1, line 39, or Form 140NR, page 1, line 37, or Form 140X, page 1, line 39.

Corporations also enter this amount on Form 120, page 1, line 25, or Form 120A, page 1, line 17, or Form 120X, page 1, line 25.

S corporations that are taking the credit also enter this amount on Form 120S, page 1, line 21.

### **Part X - Credit Carryover Available From Taxable Years 1996, 1997, 1998, and 1999**

**Lines 47 through 51 -**

Use lines 47 through 51 to figure your total available credit carryover from taxable years 1996, 1997, 1998, and 1999. Complete lines 47 through 51 only if you claimed an alternative fuel delivery system credit on a prior year return for 1996, 1997, 1998, and/or 1999, and the credit was more than your tax.

In column (b), enter the credit originally computed for the taxable year entered in column (a). In column (c), enter the amount of the credit from that taxable year which you have already used. Subtract the amount in column (c) from the amount in column (b) and enter the difference in column (d). Add the amounts entered on lines 47 through 50 in column (d). Enter the total on line 51, column (d).

**NOTE:** You must also complete Form 300 (corporations) or Form 301 (individuals) if you are completing Part X of Form 326.

Corporations and S corporations that elect to take the credit also enter the amount on line 51 on Arizona Form 300, Part I, line 17.

Individuals, also enter the amount on line 51 on Arizona Form 301, Part I, line 21.

**NOTE Individuals Only:** If you are married, and you and your spouse file separate returns, you may each take only one-half of the total credit that would otherwise be allowed on a joint return.

**Where Should I Mail My Return?**

Attach this form to your Arizona income tax return, and mail your return to: Arizona Department of Revenue, PO Box 29206, Phoenix AZ 85038-9206. Do not mail your return to the address indicated on the tax return.